

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGR-10 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-02

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1130

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDEL MTN GENEVA

UNCLAS LONDON 06392

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR UK

SUBJECT: UK GOVERNMENT ACTION AIMED AT CURBING BUILD-UP

BEGIN SUMMARY. ALARMED AT ACCELERATING INCREASE IN BEEF INTERVENTION STOCKS, UK MINISTRY OF AGRICULTURE ANNOUNCED APRIL 26 THAT FROM MAY 3 MEDIUM GRADE STEERS WILL BE EXCLUDED FROM SALES INTO INTERVENTION. UK INTERVENTION STOCKS CURRENTLY PUT AT 7,500 TONS WITH CURRENT WEEKLY BUILD-UP OF ABOUT 1,000-1,200 TONS. END SUMMARY.

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1. ON APRIL 26 THE UK MINISTRY OF AGRICULTURE ANNOUNCED

THAT FROM MONDAY, MAY 3 ALL MEDIUM GRADE STEERS WILL BE EXCLUDED FROM SALE INTO INTERVENTION. THE RESTRICTION WILL BE REVIEWED AT THE END OF JUNE. STEERS IN THE MEDIUM RANGE (551-660 LBS. DEAD WEIGHT) COMPRISE ABOUT 40 PERCENT OF ELIGIBLE CATTLE LIKELY TO BE OFFERED.

2. THE RATE OF BEEF GOING INTO INTERVENTION HAS BEEN ACCELERATING RAPIDLY IN RECENT WEEKS. THE UK INTERVENTION BEEF STOCK CURRENTLY TOTALS 7,500 TONS AND IS BEING ADDED TO BY BETWEEN 1,000-1,200 TONS A WEEK. AVERAGE MARKET PRICE OF CERTIFIED FAT CATTLE IN ENGLAND AND WALES IN WEEK ENDING APRIL 21 WAS 25.79 POUNDS PER LIVE CWT (112 LBS.). WELL BELOW THE APRIL TARGET PRICE OF 26.70 POUNDS. CONSUMER RESISTANCE TO HIGH BEEF PRICES IS MUCH TO BLAME FOR THE SLUGGISHNESS OF THE BEEF MARKET.

3. COMMENT. THE RISE IN BEEF INTERVENTION IN THE UK IS PARTICULARLY UNWELCOME TO THE MINISTRY OF AGRICULTURE. THE MINISTER IS DEEPLY COMMITTED TO THE USE OF PREMIUM PAYMENTS AS AN ALTERNATIVE TO INTERVENTION IN SUPPORTING BEEF PRODUCERS AND IS STRONGLY OPPOSED TO INTERVENTION IN PRINCIPLE.

4. THE NFU PRESIDENT IS UNHAPPY ABOUT THE MOVE SAYING IT WAS "UNNECESSARY AND INEVITABLY RAISES DOUBTS ABOUT THE RELIABILITY OF THE GOVERNMENT'S BEEF SUPPORT ASSURANCES..IF AS A CONSEQUENCE IT LOOKS AS THOUGH THE TARGET PRICE BETWEEN NOW AND THE END OF JUNE WILL NOT BE ACHIEVED, THE GOVERNMENT WILL HAVE TO HONOUR ITS COMMITMENT EITHER BY RESTORING FULL INTERVENTION, OR BY OTHER MEANS."

ARMSTRONG

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